Export-Import Bank of Trinidad and Tobago Limited

Financial Statements

31 December 2020

(Expressed in Trinidad and Tobago Dollars)

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Export-Import Bank of Trinidad and Tobago Limited

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Export-Import Bank of Trinidad and Tobago Limited (the Bank), which comprise the statement of financial position as at 31 December 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising of significant accounting policies and other explanatory information;
- Ensuring that the Bank keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Bank's assets, detection/prevention of fraud, and the achievement of the Bank's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Bank will not remain a going concern for the next twelve months from the reporting date, or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Navin Dookeran	Carol Austin
Chief Executive Officer	Chief Financial Officer
17 May 2021	17 May 2021

Independent Auditor's Report

To the shareholder of Export-Import Bank of Trinidad and Tobago Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Export-Import Bank of Trinidad and Tobago Limited (the Bank) as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Independent Auditor’s Report (Continued)

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Banks’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (Continued)

Auditor's responsibilities for the audit of the financial statements

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Banks's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Port of Spain,
Trinidad, West Indies
18 May 2021

Export-Import Bank of Trinidad and Tobago Limited

Statement of Financial Position

(Expressed in Trinidad and Tobago Dollars)

	Notes	As at 31 December 2020 $	2019 $
Assets			
Cash and cash equivalents	4	157,018,876	55,499,930
Loans and receivables	5	262,350,969	276,614,645
Corporation tax receivable		597,923	597,923
Other assets	6	1,781,525	827,610
Investments	7	14,526,099	15,447,888
Property and equipment (8a)	8	7,064,972	6,477,642
Right-of-use assets (8b)	8	161,080	168,940
Intangible asset	9	--	18,225
Deferred tax asset	15	--	149,560
Total assets		443,501,444	355,802,363
Liabilities and shareholder's equity			
Accounts payable and accruals	11	22,482,399	8,248,217
Lines of credit	12	235,574,528	241,278,750
Forex facility	13	--	35,000,000
Provision for unexpired risk		--	3,389
Lease liabilities	14	166,736	171,872
Deferred tax liabilities	15	156,482	--
Deferred income - GORTT subvention	16	2,216,490	2,395,240
Total liabilities		260,596,635	287,097,468
Shareholder's equity			
Stated capital	17	194,934,000	194,934,000
Capital contributions	13	103,000,000	--
Special reserve		441,375	441,375
Statutory surplus reserve		615,612	615,612
Accumulated deficit		(116,086,178)	(127,286,092)
Total shareholder's equity		182,904,809	68,704,895
Total liabilities and shareholder's equity		443,501,444	355,802,363

The notes on pages 9 to 50 are an integral part of these financial statements.

On 17 May 2021, the Board of Directors of Export-Import Bank of Trinidad And Tobago Limited authorised these financial statements for issue.

_______________ Director   _______________ Director

Export-Import Bank of Trinidad and Tobago Limited

Statement of Comprehensive Income

(Expressed in Trinidad and Tobago Dollars)

	Notes	Year ended 31 December 2020 $	2019 $
Interest income	19	16,986,679	18,762,754
Interest expense		(8,890,407)	(11,658,583)
Net interest income		8,096,272	7,104,171
Forex income	20	29,627,135	893,353
Other income	20	4,896,266	6,849,005
		34,523,401	7,742,358
Total net income		42,619,673	14,846,529
Impairment expense	10	(9,536,659)	(45,470,368)
General and administrative expenses	21	(21,267,019)	(14,005,071)
Total expenses		(30,803,678)	(59,475,439)
Profit/(loss) before taxation		11,815,995	(44,628,910)
Taxation	22	(616,081)	(63,861)
Profit/(loss) for the year		11,199,914	(44,692,771)
Other comprehensive income for the year, net of tax		--	--
Total comprehensive income for the year		11,199,914	(44,692,771)

The notes on pages 9 to 50 are an integral part of these financial statements.

Export-Import Bank of Trinidad and Tobago Limited

Statement of Changes in Equity

(Expressed in Trinidad and Tobago Dollars)

	Stated capital $	Capital contributions $	Special reserve $	Statutory surplus reserve $	Accumulated deficit $	Total $
Balance as at 1 January 2020	194,934,000	--	441,375	615,612	(127,286,092)	68,704,895
Capital contributions	--	103,000,000	--	--	--	103,000,000
Total comprehensive income for the year	--	--	--	--	11,199,914	11,199,914
Balance as at 31 December 2020	194,934,000	103,000,000	441,375	615,612	(116,086,178)	182,904,809
Balance as at 1 January 2019	194,934,000	--	441,375	615,612	(82,593,321)	113,397,666
Total comprehensive loss for the year	--	--	--	--	(44,692,771)	(44,692,771)
Balance as at 31 December 2019	194,934,000	--	441,375	615,612	(127,286,092)	68,704,895

The notes on pages 9 to 50 are an integral part of these financial statements.

Export-Import Bank of Trinidad and Tobago Limited

Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

	Notes	Year ended 31 December 2020 $	2019 $
Cash flows from operating activities			
Profit/(loss) before taxation		11,815,995	(44,628,910)
Non-cash items			
Depreciation	8	1,375,410	1,436,941
Depreciation – ROU Assets (8b)	8	7,860	7,863
Deferred tax	22	--	161,454
Amortisation of intangible asset	9	18,225	176,395
Impairment charge/(writeback) - investments		1,737	(2,443)
Impairment charge - loans	5	11,388,672	45,472,811
(Gain)/loss on disposal of property and equipment		(1,500)	17,860
Interest expense on lease liability		6,864	7,069
Government subvention		(178,750)	(3,604,760)
		24,434,513	(955,720)
Changes in non-cash working capital amounts:			
Net change in accounts receivable and prepayments		1,921,089	(20,329,951)
Net change in accounts payable and accruals		14,230,794	3,209,605
Taxation paid		(310,039)	(225,315)
Net cash inflow/(outflow) from operating activities		40,276,356	(18,301,381)
Cash flows from investing activities			
Payments for property and equipment	8	(1,962,740)	(221,233)
Proceeds from disposal of property and equipment		1,500	50
Proceeds from disposal of investments	7	920,053	901,009
Net cash (outflow)/inflow from investing activities		(1,041,187)	679,826
Cash flows from financing activities			
Net change in capital contributions	13	68,000,000	--
Net change in lines of credit	12	(5,704,222)	9,247,500
Net change GORTT subvention		--	6,000,000
Repayment of lease liability		(5,136)	(4,931)
Interest payment on lease liability		(6,864)	(7,069)
Net cash inflow from financing activities		62,283,778	15,235,500
Net increase/(decrease) in cash and cash equivalents		101,518,946	(2,386,055)
Cash and cash equivalents, beginning of year		55,499,930	57,885,985
Cash and cash equivalents at end of year		157,018,876	55,499,930
Non-cash investing activities:			
Acquisition of right-of-use asset		--	176,803

The notes on pages 9 to 50 are an integral part of these financial statements.

1 **Incorporation and principal activities**

Export Import Bank of Trinidad and Tobago (EXIMBANK or the Bank) was incorporated on 31 December 1973 in the Republic of Trinidad and Tobago as Trinidad and Tobago Export Credit Insurance Company Limited (EXCICO). The Bank's registered office and principal place of business are located at EXIM House, 30 Queen Park West, Port-of-Spain.

EXCICO was converted to EXIMBANK following an Order by the Ministry of Finance on 4 November 1997 cited as the "Financial Institution (Amendment to the Third Schedule) Order 1997".

This Amendment to the Financial Institution Act 1993 granted EXIMBANK the ability to conduct the following types of business:

1. Confirming House or Acceptance House
2. Finance House or Finance Company
3. Financial Services

EXIMBANK is primarily involved in providing banking facilities, which include raw material and asset financing and other trade related services to exporters. EXIMBANK is also an authorised foreign exchange distributor and sells foreign exchange to qualified local customers. Other services also include export credit insurance to exporters against losses resulting from commercial and/or political risks, and the discounting of bills in respect of goods exported from Trinidad and Tobago on credit terms.

These financial statements have been approved for issue by the Board of Directors on 17 May 2021.

2 **Summary of significant accounting policies**

a. *Basis of preparation*

These financial statements comply with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Standards Interpretation Committee (IFRS IC) applicable to companies reporting under IFRS and are stated in Trinidad and Tobago dollars, rounded to the nearest dollar.

These financial statements are prepared under the historical cost convention.

2 **Summary of significant accounting policies (continued)**

a. *Basis of preparation (continued)*

i. *Going concern*

In making its going concern assessment, management has considered the Bank's current financial position, its cash flow forecast and subsequent information. It has also considered the potential impact of the COVID-19 pandemic on the Bank's operational capabilities, liquidity and financial position over the next twelve months. Based on this assessment, the Bank has been able to meet its repayment terms to date and there is sufficient cash to meet its short-term obligations.

Since 2018, the GORTT has utilised the Eximbank to prioritise foreign exchange with the goal of providing the inputs to drive export earnings and meet local essential needs and has made US dollars available through the Eximbank as follows:

1. The first USD100M Manufacturing forex facility commenced August 2018. The programme has successfully addressed the sectoral shortages, was fully disbursed and has now been replenished with a further USD100M for 2021;
2. At the start of the pandemic, the GORTT approved an Essential Forex facility with an initial USD75M over 3 months. The programme was repeated at the end of 2020 with another USD75M over 3 months, taking the total disbursed in 2020 to USD150M. An additional USD50M being approved for the first half of 2021.

From 2018 to 2020, the GORTT has allocated USD400M via the Eximbank with USD150m set to be sold during 2021. It is estimated that based on current margins, forex income from this will exceed TTD15M during the 2021 fiscal year.

Eximbank from the Year 2020 has included key strategies, one being that of securing collateral on new and existing loans. This has served to strengthen our going concern position.

b. *New standards, amendments and interpretations adopted by the Bank during the year*

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The Bank has assessed them and has adopted those which are relevant to its financial statements:

The Bank has applied the following standard and amendments for the first time for the annual reporting period commencing 1 January 2020:

- Annual improvements to IFRS standards 2018-2020 cycle
- Where applicable:Covid-19 Related Rent Concessions – amendments to IFRS 16 and Interest rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

c. *New standards, amendments and interpretations not yet adopted by the Bank*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Bank. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 **Summary of significant accounting policies (continued)**

d. *IFRS 16 Leases*

The Bank leases a building for office accommodation from the Government of the Republic of Trinidad and Tobago (GORTT). The remaining term of the existing lease is two years and five months with a further option to extend for twenty years.

The leased asset is not used as security for borrowing purposes.

(i) *Measurement of lease liability*

- The lease payments are discounted using the Bank's incremental borrowing rate at 31 December 2020.

- Lease payments are allocated between principal and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) *Measurement of rights-of-use assets (Refer to note 8(b) leases)*

- Rights-of-use assets are measured at cost which is the amount of the initial measurement of the lease liability.

- Rights-of-use assets are depreciated over the lease term on a straight-line basis.

e. *Property and equipment*

Property and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided using the straight-line method.

The following rates are considered appropriate to depreciate the assets over their estimated useful lives:

Leasehold improvements	-	5%
Computer software	-	12.50%
Office furniture	-	12.50%
Office equipment	-	20%
Computer hardware	-	25%
Motor vehicles	-	25%

No depreciation is provided on capital work-in-progress.

The assets' residual values and useful lives are reviewed at each reporting date and adjusted as appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2 **Summary of significant accounting policies (continued)**

f. *Intangible assets*

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use
- Management intends to complete the software and use or sell it
- There is an ability to use or sell the software
- It can be demonstrated how the software will generate future economic benefits
- Adequate technical, financial and other resources to complete the development and use or sell the software are available
- The expenditure attributable to the software during its development can be reliably measured

The asset is amortised over its useful economic life and are reassessed at the end of each financial period.

g. *Financial instruments*

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised when the Bank becomes a party to the contractual provisions of the instrument.

(a) *Financial assets*

(i) *Classification and subsequent measurement*

The Bank classifies its financial assets based on the ´Hold to collect" model using the Amortised Cost Category.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

(i) the cash flow characteristics of the asset; and
(ii) the Bank's business model for managing the asset

2 **Summary of significant accounting policies (continued)**

g. *Financial instruments (continued)*

(a) *Financial assets (continued)*

(i) *Classification and subsequent measurement (continued)*

Debt instruments (continued)

Based on these factors, the Bank classifies its assets into the amortised cost measurement category. Assets that are held for collection of contractual cash flows where those cash flows represent solely principal and interest (SPPI) and that are not designated at fair value to profit and loss (FVTPL) are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 5. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

(i) *Investments*

The Bank's investments comprise of bonds with fixed determinable payments of principal and interest and a fixed maturity date. The Bank has both the intent and ability to hold these bonds to maturity i.e. "hold-to-collect" and states the portfolio at amortised cost.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These comprise of Raw Material and Asset Financing and Trade Discounting.

Business model

The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. The Bank's objective is solely to collect the contractual cash flows from the financial assets.

2 **Summary of significant accounting policies (continued)**

g. *Financial instruments (continued)*

a. *Financial assets (continued)*

(ii) *Classification and subsequent measurement (continued)*

Business model (continued)

SPPI

In this test, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

(iii) *Impairment*

The Bank assesses on a forward-looking basis the expected credit losses (ECL) associated with its assets carried at amortised cost. The Bank recognises a loss allowance for such losses at each reporting date.

The measurement of ECL reflects:

a. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b. The time value of money; and
c. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 24.a. (i) provides more detail of how the expected credit loss is measured.

(vi) *Derecognition other than on a modification*

Financial assets, or a portion thereof, are derecognised when the contractual right to receive cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred.

b. *Financial liabilities*

(i) *Classification and subsequent measurement*

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost.

(ii) *Derecognition*

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

2 **Summary of significant accounting policies (continued)**

h. *Loan commitments*

Loan commitments provided by the Bank are measured at the amount of the loss allowance (calculated as described in note 24 a.(i). The Bank has not provided any commitment that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments, the loss allowance is recognised as a provision.

i. *Policy holders' reserves*

Unexpired risks

Unexpired risks represent an amount set aside by the Bank at the end of the financial year in respect of risks to be borne by the Bank after the end of its financial year under contracts of insurance entered into before the year-end. The Bank provides for unexpired risks on the invoiced values of insurance contracts entered into during the year whose insurable risk extends into the following financial year.

j. *Foreign currency*

Monetary assets and liabilities recorded in foreign currencies have been translated at the exchange rates prevailing at the Statement of Financial Position date. Transactions recorded during the year in foreign currencies have been converted at the rates prevailing on the dates of the transaction. Exchange gains or losses arising are reflected in the Statement of Comprehensive Income.

k. *Interest Income and expense*

Interest income and interest expense are recognised on an accrual basis using the effective interest method based on the initial carrying amount. When a loan is impaired, the Bank reduces the carrying amount to its recoverable amount (i.e. net of the expected credit loss provision), being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset (i.e. its amortised cost before any impairment allowance). The calculation does not consider expected credit losses and includes transaction costs, premium, discounts and fees paid or received that are integral to the effective interest rate, such as commitment fees.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cashflows for the purpose of measuring the impairment loss.

For financial assets that are credit impaired (stage 3), interest income is calculated by applying the effective interest rate to the carrying value net of the expected credit loss provision.

l. *Forex income*

As an authorized foreign currency distributor, Eximbank recognizes income (Handling fee) for the Forex Allocation System (FAS) and Forex Manufacturing facilities. These facilities predominantly assist qualified customers with the purchase of essential items in US dollars as well as payment of shipping costs, equipment financing (X-Loan) and trade financing, all in US dollars. Income (Handling fee) is recognised on an accruals basis when the customer agreement has been approved.

2 **Summary of significant accounting policies (continued)**

m. *Fee and commission income*

Fees and commission are recognised on an accrual basis when the service has been provided.

n. *Statutory reserve*

Under the provisions of the Insurance Act 1980, the Bank is required to appropriate at least 25% of its profits for the year until the surplus equates or exceeds the liabilities of the Bank with respect to its unexpired policies.

o. *Current taxation*

Taxation comprises Corporation Tax or Business Levy and the net movement in Deferred Taxation. These amounts are calculated as follows:

(i) Corporation tax - 30% of the Bank’s chargeable profits.
(ii) Business Levy – 0.6% of the Bank’s gross receipts.

p. *Deferred taxation*

Deferred taxation is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Currently enacted tax rates are used to determine Deferred Taxation. The principal temporary differences arise from depreciation of Property and equipment. Deferred income tax assets are recognised only to the extent that is probable that future taxable profit will be available against which the temporary differences can be utilised. No deferred tax asset recognised on the unused taxable losses.

q. *Government grant*

The GORTT provided subvention income to the Bank to facilitate expansion of the country’s export sector to assist in enhancing the country’s foreign exchange position and its international trade landscape. Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

3 **Critical judgments in applying accounting policies and key sources of estimation uncertainty**

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions about the future in the process of applying the Bank's accounting policies. The resulting accounting estimates will, by definition, rarely equal the related actual results.

These are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and are reviewed on an ongoing basis. Actual results could differ from those estimates.

Changes in accounting estimates are recognised in the Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

a. *Critical judgements*

The critical judgements apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements are as follows:

(i) Application of going concern principles
(ii) Discount rate used in IFRS 16 leases
(iii) Discounting of loan collateral

b. *Key assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) *Measurement of the expected credit loss*

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 24.a.(i) which also sets out key sensitivities of the ECL to changes in these elements.
A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determination of macroeconomic drivers and forecasting macroeconomic scenarios;
- Recovery rates on unsecured exposures.

4 Cash and cash equivalents

	2020 $	2019 $
Cash	3,000	3,000
Republic Bank Limited	4,473,572	5,640,881
RBC Royal Bank (Trinidad & Tobago) Limited	1,143,758	386,246
Scotiabank Trinidad and Tobago Limited	2,387,432	1,156,505
First Citizens Bank Limited	7,364	7,720
Citibank (Trinidad and Tobago) Limited	109	109
First Caribbean International Bank (Trinidad &Tobago) Limited	97,141,657	38,548,338
Cash in hand and at bank	105,156,892	45,742,799
Guardian Asset Management Limited	127,251	182
Trinidad and Tobago Unit Trust Corporation	51,734,733	9,756,949
Money market funds	51,861,984	9,757,131
	157,018,876	55,499,930

5 Loans and receivables

The loan notes due to the Bank comprise the following:

Raw materials and asset financing (See (i) below)	334,704,908	370,447,086
Trade discounting (See (ii) below)	6,387,594	5,861,076
Interest receivable	10,807,828	14,895,329
	351,900,330	391,203,491
Less loss allowance:	(89,549,361)	(114,588,846)
	262,350,969	276,614,645

Allowance for loan losses

Allowance at beginning of the year	114,588,846	119,084,742
Loan loss release	(1,853,749)	--
Charge for the year	11,388,672	45,472,811
Write off	(34,574,408)	(49,968,707)
Allowance at the end of year	89,549,361	114,588,846

(i) This amount represents raw material (working capital) and asset financing (demand loans) advances made to exporters from US$ and TT$ lines of credit at varying rates of interest.

(ii) This amount represents trade discounting advances to exporters both in US$ and TT$ at varying rates of interest.

5 Loans and receivables (continued)

Loans to customers

	2020 $	2019 $
Loans – Stages 1 and 2	260,419,015	260,080,360
Loans – Stage 3	91,481,315	131,123,131
	351,900,330	391,203,491
Allowance for loan losses	(89,549,361)	(114,588,846)
Total credit risk exposure	262,350,969	276,614,645

Loans analysed by sector

Food and beverage	70,503,909	84,158,804
Consumer goods	70,012,100	59,774,692
Pulp, paper, plastics and packaging	110,004,077	116,116,792
Fuel and oils	436,255	161,670
Services	11,394,628	16,402,687
	262,350,969	276,614,645
Current portion	210,318,725	180,063,297
Non-current portion	52,032,244	96,551,348
Total credit risk exposure	262,350,969	276,614,645

6 Other assets

Insurance premium receivable	113,338	121,214
Interest receivable – investments	6,836	8,504
Other receivables	608,728	339,384
Other receivables - Forex	33,664	--
Prepaid expenses	1,018,959	358,508
	1,781,525	827,610

7 Investments

	2020 $	2019 $
Securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago	14,561,203	15,481,256
Less: loss allowance	(35,104)	(33,368)
	14,526,099	15,447,888
Current portion	1,568,165	1,572,969
Non-current portion	12,957,934	13,874,919
	14,526,099	15,447,888
Balance at beginning of the year	15,447,888	16,346,454
Disposals	(920,053)	(901,009)
(Charge)/write back	(1,736)	2,443
Balance at end of year	14,526,099	15,447,888
Colonial Life Insurance Company Limited (current)	1,568,165	1,572,969
Colonial Life Insurance Company Limited (non - current)	11,407,334	12,324,319
Government of the Republic of Trinidad and Tobago 7.75% bonds (2024)	1,550,600	1,550,600
	12,957,934	13,874,919
Total	14,526,099	15,447,888

On 30 January 2009, the Minister of Finance (MOF) and the Central Bank of Trinidad and Tobago announced that the Government of the Republic of Trinidad and Tobago (GORTT) had reached an agreement with the CL Financial Group for the provision of a package of financial support for the Group's financial services companies. These companies included Colonial Life Insurance Company limited (CLICO), Caribbean Money Market Brokers Limited (CMMB) and British American Insurance Company (Trinidad) Limited (BAT).

Subsequent to this, the Minister of Finance stated that GORTT would repay local investors of Short term Investment Products (STIPS) in CLICO and BAT their principal balances that is, the capital sum as at the issue date or last renewal date, minus any capital withdrawals or loans made prior to 8 September 2010.

7 Investments (continued)

On 9 February 2012, the GORTT made an offer to the Bank to repay the principal balances, plus interest up to the maturity date, on all policies held up to 8 September 2010. The total amount due from CLICO amounted to $32,869,200 inclusive of $128,000 in interest. The Bank has accepted the offer made by the GORTT for initial payments of approximately $75,000 on each policy and with the remaining balance to be settled by the issuance of 20 Year Zero Coupon Bonds.

Four (4) contracts were issued by the GORTT and during the year ended 31 December 2012 the initial payments of $300,200 together with the first annual bond repayment of $1,631,000 were received. Annual bond repayments of $ 1.6M have been received in accordance with the agreed terms.

8 (a) **Property and equipment**

	Leasehold property $	Office furniture and equipment $	Computer equipment and software $	Motor vehicles $	Work-in progress $	Total $
Cost						
At 1 January 2020	6,713,115	2,260,927	11,000,866	1,666,889	26,035	21,667,832
Additions	44,193	107,071	132,632	1,549,000	129,844	1,962,740
Transfers	103,004	--	--	--	(103,004)	--
Disposals	--	--	--	(993,890)	--	(993,890)
At 31 December 2020	6,860,312	2,367,998	11,133,498	2,221,999	52,875	22,636,682
Accumulated depreciation						
At 1 January 2020	3,005,672	1,504,849	9,111,850	1,567,819	--	15,190,190
Charge for the year	329,927	213,697	594,096	237,690	--	1,375,410
Disposals	--	--	--	(993,890)	--	(993,890)
At 31 December 2020	3,335,599	1,718,546	9,705,946	811,619	--	15,571,710
Net book value						
At 31 December 2020	3,524,712	649,454	1,427,552	1,410,380	52,875	7,064,972
At 31 December 2019	3,707,443	756,078	1,889,016	99,070	26,035	6,477,642

8 (a) Property and equipment (continued)

	Leasehold property $	Office furniture and equipment $	Computer equipment and software $	Motor vehicles $	Work-in progress $	Total $
Cost						
At 1 January 2019	6,690,059	2,184,725	10,963,967	1,666,889	--	21,505,640
Additions	23,056	117,052	55,090	--	26,035	221,233
Disposals	--	(40,850)	(18,191)	--	--	(59,041)
At 31 December 2019	6,713,115	2,260,927	11,000,866	1,666,889	26,035	21,667,832
Accumulated depreciation						
At 1 January 2019	2,681,592	1,337,240	8,542,827	1,232,721	--	13,794,380
Charge for the year	324,080	201,101	576,662	335,098	--	1,436,941
Disposals	--	(33,492)	(7,639)	--	--	(41,131)
At 31 December 2019	3,005,672	1,504,849	9,111,850	1,567,819	--	15,190,190
Net book value						
At 31 December 2019	3,707,443	756,078	1,889,016	99,070	26,035	6,477,642
At 31 December 2018	4,008,466	847,485	2,421,140	434,168	--	7,711,259

8 (b) Rights-of-use assets (Refer to Note 2 (d))

	2020 $	2019 $
Cost	176,803	176,803
Accumulated depreciation		
At 1 January	(7,863)	--
Charge for the year	(7,860)	(7,863)
At 31 December	(15,723)	(7,863)
Net book value at 31 December	161,080	168,940

9 Intangible asset

Development of the Made in TNT website commenced in October 2014.

The portal was determined to have a finite useful life of 5 years and was amortised effective October 2014 using the straight-line method at a rate of 20%.

	2020 $	2019 $
Opening net book value	18,225	194,620
Current year amortisation (Note 21)	(18,225)	(176,395)
Closing net book value	--	18,225
Cost or valuation	881,975	881,975
Accumulated amortisation	(881,975)	(863,750)
Closing net book value	--	18,225

10 Impairment expense

Loan loss expense (Note 5)	9,534,923	45,472,811
Expected credit loss - investments (Note 7)	1,737	(2,443)
	9,536,660	45,470,368

11 Accounts payable and accruals

Amounts due to exporters	9,404	139,385
Audit fee	360,344	349,094
Deferred income on financing activities	73,149	53,380
Interest payable	2,356,528	2,095,725
Marine insurance	16,286	16,286
Advances from customers - forex	10,731,283	(119,163)
Salaries payable	7,500,379	2,608,400
Accrued expenses	755,050	2,694,232
Other payables	679,976	410,878
	22,482,399	8,248,217

12 Lines of credit

	2020 $	2019 $
Scotiabank Trinidad and Tobago Limited	69,525,000	93,622,500
Banco Latinamericano de Exportaciones (Bladex)	33,749,528	59,906,250
RBC Royal Bank (Trinidad & Tobago) Limited	20,250,000	20,250,000
First Caribbean International Bank (Trinidad & Tobago) Limited	112,050,000	67,500,000
	235,574,528	241,278,750

Banco Latinoamericano de Exportaciones (Bladex)

- This is a US $20M facility
  Collateral: Government guarantee
  Repayment: 30 to 180 days

Scotiabank Trinidad and Tobago Limited

The balance represents drawdowns from two (2) facilities as follows:

- TT$ 50M or the equivalent amount in US dollars
  Collateral: Unsecured
  Repayment: 30 to 180 days

- TT$ 44.68M or the equivalent amount in US dollars.
  Collateral: Government guarantee.
  Repayment: 30 to 180 days.

First Caribbean International Bank (Trinidad & Tobago) Limited

- This is a US $10M facility which matured and was renewed on 26 January 2021
  Collateral: Government guarantee
  Repayment: Semi-annually in arrears

- This is a US $10M facility
  Collateral: Government guarantee
  Repayment: Semi-annually in arrears

RBC Royal Bank Limited

- This is a US $3M facility
  Collateral: Unsecured
  Repayment: 30 to 180 days

13 Forex facility

Forex facility - Manufacturing Sector

The Government of the Republic of Trinidad and Tobago (GORTT) has agreed to the introduction of a US Dollar Foreign Exchange Facility to the Export Import Bank of Trinidad and Tobago Limited (EXIMBANK) to facilitate allocation to local manufacturing and exporting companies in Trinidad and Tobago.

The TT equivalent of US$5M was initially provided by the GORTT at 31 December 2018 namely TT$35M. This was used to Purchase US$ 5M from the Central Bank of Trinidad and Tobago (CBTT).

This initial facility to revolve until US$ 100M has been made available to the manufacturing sector.

US$100M was provided by the GORTT towards this facility from December 2018 to December 2020.

Forex facility - Essential Food and Pharmaceuticals

The Government rolled out a stimulus package of US$25M per month from March 2020 for a maximum of three (3) months to allow for the importation of essential food and pharmaceutical products.

The TT equivalent of US$10M was initially provided by the GORTT at 1 June 2020 namely TT$68M. This initial facility to revolve until US$ 75M was utilised on this stimulus program.

This Facility was fully utilised at US$75M from April to August 2020 and a 2nd tranche of US$25M per month was again rolled out for three (3) months from October to December 2020.

US$150M was provided by the GORTT towards this facility for the Year 2020.

TT$103M was treated as capital contributions. Subsequent to year end the Bank received approval from the GORTT to be treated as stated capital. (refer to note 2. (bi))

Conversion of amounts advanced to Capital

In 2018, GORTT provided US$ 5M, TT$35M equivalent, for the Bank to establish a foreign exchange facility for local manufacturing and exporting companies in Trinidad and Tobago. This amount was initially recognised as a current liability. In 2020, GORTT provided EXIMBANK with a further US$9.7M, TT$68M equivalent, to introduce another foreign exchange facility for the allocation of foreign currency to importers and manufacturers of food, pharmaceuticals and other essential items. Prior to the year-end, Management requested that GORTT convert the total of $103M to stated capital. Formal approval was only communicated subsequent to the year-end. The amount was treated as capital contributions since at year end the shares had not yet been issued.

14 Lease liability

The Bank has a lease contract on the building at 30 Queen's Park West with a remaining term of over 21 years. Future rent payable as at 31 December 2020 is as follows:

	2020 $	2019 $
Current	10,859	5,554
Non-current	155,877	166,318
	166,736	171,872

• Interest expense (included in profit or loss)	6,864	7,069

- The total cash outflow for leases in 2020 was TT$12,000 (2019 – TT$12,000)

15 Deferred taxation

The movement in the deferred taxation account is as follows:

	2020 $	2019 $
Balance at beginning of year – (asset)/liability	(149,560)	11,894
Expense/(credit) for the year	306,042	(161,454)
Balance at end of year – liability/(asset)	156,482	(149,560)
Deferred taxation is attributable to:		
Excess of net book value over written down tax value	156,482	(149,560)

16 Deferred Income – GORTT subvention

The GORTT provided subvention income of six million dollars (TT$6M) to facilitate expansion of the country's export sector to assist in enhancing the country's foreign exchange position and its international trade landscape and this project was in progress at year end.

	2020 $	2019 $
Deferred Income – GORTT subvention	2,216,490	2,395,240

17 Stated capital

	2020 $	2019 $
Issued and fully paid		
1,949,340 Cumulative convertible preference shares of no par value	194,934,000	194,934,000

18 Special reserve

An amount of $450,000 was allocated to the Bank by the Ministry of Finance to assist with the cost of broker fees and other pre-incorporation expenses associated with the partial divestment of the Bank. This initiative was discontinued after an initial expense of $8,625.

No related expenses were incurred during the year ended 31 December 2020.

19 Interest income

	2020 $	2019 $
Income from raw material and asset financing	16,361,080	18,223,712
Income from trade discounting	625,599	539,042
	16,986,679	18,762,754

20 Forex and other income

Forex income

	2020 $	2019 $
Forex Allocation System (FAS)	19,753,892	--
Forex Manufacturing	9,873,243	893,353
	29,627,135	893,353

Other income

Fees and commissions	2,090,541	1,977,011
Results on insurance operations	17,964	99,125
Unexpired risk adjustments	3,389	2,705
Investment income	1,229,719	1,007,483
Miscellaneous income (see below)	1,554,653	3,762,681
	4,896,266	6,849,005

Miscellaneous income

Bad debts recovery	893,763	11,148
Gain on foreign exchange	220,889	42,040
Staff loan interest	4,676	1,958
Gain/(loss) on disposal of property and equipment	1,500	(17,860)
Agency fees - TTTBDL (net)	255,000	120,615
Government subvention	178,750	3,604,760
Other income	75	20
	1,554,653	3,762,681

21 General and administrative expenses

Building occupancy and equipment	2,443,196	2,494,454
Communications	218,756	196,490
Employee benefits expense (see below)	14,806,792	7,610,352
General administrative expenses	2,457,121	2,606,801
Other business expenses	1,316,064	913,510
Amortisation of intangible assets (Note 9)	18,225	176,395
Lease liability interest expenses	6,865	7,069
	21,267,019	14,005,071

21 General and administrative expenses (continued)

Employee benefits expense

	2020 $	2019 $
Salaries	5,820,521	5,488,979
Backpay	5,967,569	363,704
National insurance	336,751	299,826
Pension contributions	883,686	348,477
Health insurance	92,764	89,871
Other benefits and allowances	1,705,501	1,019,495
	14,806,792	7,610,352

22 Taxation

Business levy	(310,039)	(149,180)
Green fund levy	--	(76,135)
Deferred taxation	(306,042)	161,454
	(616,081)	(63,861)

The tax on the Bank's net income before taxation differs from the theoretical amount that would arise using the basic rate of tax as follows:

Profit/(loss) before taxation	11,815,995	(44,628,910)
Tax calculated at 30%	(3,544,799)	13,388,673
Exempt income	134,452	225,340
Expenses not deductible for tax purposes	(2,822,053)	(12,445,131)
Business levy	(310,039)	(149,180)
Utilisation of tax losses not previously recognised	5,926,358	--
Tax losses not recognised	--	(1,007,428)
Green fund levy	--	(76,135)
	(616,081)	(63,861)

As at 31 December 2020, the Bank had tax losses that are available to be carried forward and utilised against future taxable profits of $92,504,382. In accordance with its accounting policy, the Bank has not recognised a potential deferred tax asset of $27,751,315 relating to the losses, as it is not yet probable that future taxable profits will be available against which the tax losses can be utilised in the foreseeable future.

23 Related party transactions

Parties are considered to be related if one has the ability to control or exercise significant influence over the other in making financial and operational decisions.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Bank.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions at market rates.

Balances and transactions with related parties during the year were as follows:

a. *Income*

	2020 $	2019 $
Agency fees – TTTBDL (net)	255,000	120,615

b. *Expenses*

	2020 $	2019 $
Directors fees and travelling	378,000	378,000

c. *Key management compensation*

	2020 $	2019 $
Short term benefits	3,949,909	4,005,622
Post-employment benefits	299,430	180,450
	4,249,339	4,186,072

d. There were several transactions and balances entered into with the Government of Trinidad and Tobago as at 31 December 2020 (refer to note 13 and 16).

24 Financial risk management

The Bank has established a framework for managing financial risks and aims to achieve a balance between risk and return so as to minimize negative effects on the Bank's financial performance.

Financial risk management is carried out by an organizational structure which comprises the Board of Directors, the Board Credit Committee, the Management Credit Committee, and the Board Audit and Compliance Committee. The risk management system is so designed to analyse risks through an up to date information system and in close co-operation with the Bank's Credit and Internal Audit Departments.

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in China and other countries. The extent of the impact of the COVID-19 outbreak on the financial performance of the Bank will depend on future developments and the impact on the financial markets and the overall economy, all of which are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Bank's results may be adversely affected since this event spans all the risk levels outlined below.

The Bank invests in financial instruments and maintains a balance between investments whilst maintaining sufficient liquidity to service the loan portfolio. The main risks arising from the Bank's financial instruments are credit risk, market risk, liquidity risk and operational risk. The Bank's policies for managing risks are as follows:

a. *Credit risk*

Credit risk arises in lending and investing activities and it relates to the possibility that a counter party may fail to fulfil its contractual obligations and thereby cause a financial loss to the Bank. The principal business of the bank is loans and advances and as such these significant assets are responsible for a large percent of the revenue generated.

Exposure to credit risk is managed through credit policies, procedures and audit functions together with approved limits and also by obtaining collateral and corporate and personal guarantees.

(i) *Credit risk management*

The Board of directors maintains general oversight ensuring the strategic direction and credit philosophy is maintained and vests responsibility in the sub committees for the day to day decisions. The Credit Department is responsible for the management and administration of the credit portfolio whilst the Treasury Department oversees the Investment and Borrowing Portfolios. These two (2) departments ensure that current legislation, best practice and the credit and borrowing policies of the Bank are maintained.

Loans and receivables

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) which is used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

Investments

A probability of default is established for each investment grade based on realised default rates for the Caribbean as observed over the prior 12 months.

24 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

Expected credit loss measurement

IFRS 9 outlines a 'three stage' model; for impairment based on changes in credit quality since initial recognition as summarised below:

A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Bank.

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. Please refer to note below for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note for a description of how the Bank defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. See below for an explanation of how the Bank has incorporated this in its ECL model.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	**Stage 2**	**Stage 3**
(initial Recognition)	**(Significant increase in credit risk)**	**(Credit - impaired assets)**
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

24 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

Loans

- Increase in risk rating by two (2) points as per internal risk rating system
- Increase in two classes as per internal risk rating system
- Movement into class four (4) or five (5) as per internal risk rating system

Investments

A downgrade in the overall credit rating for the Caribbean from rating agencies such as Moody's or Standard and Poor's.

Significant decrease in credit risk (SDCR)

With respect to the cure for SDCR, the Bank considers a significant decrease in credit risk has occurred when the following happens:

Loans

- Decrease in risk rating by two (2) points as per internal risk rating system
- Decrease in two classes as per internal risk rating system. Movements from class (4) or (5) to class (1) or (3).

Investments

An upgrade in the overall credit rating for the Caribbean from the rating agencies such as Moody's or Standard and Poor's.

➢ *Definition of default and credit-impaired assets*

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when a borrower has failed to repay a loan according to the terms of the agreement with the bank via payments on either the principal loan amount or the interest that the loan has accrued after 90 days from the loan's maturity date/installment. There are also qualitative default criteria which may cause the financial instrument to be in default which includes the disappearance of an active market, when it becomes probable that a borrower will enter bankruptcy and the borrower's financial difficulties have granted the borrower a concession that the Bank would not have otherwise considered.

Investments

➢ *Definition of default and credit-impaired assets*

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), throughout the Bank's expected loss calculations.

24 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

➢ *Measuring ECL - Explanation of inputs, assumptions and estimation techniques*

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). Each term is defined as follow:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

  Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by product type, while the availability of collateral is factored before LGD is considered. A robust system for recovering on all delinquent facilities managed by the recoveries department ensures that measures are taken to contain loss. The recovery on the various products managed by the Bank are recorded and this historical information is used to determine LGD. LGD is expressed as the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by multiplying the PD, LGD and EAD after taking into consideration the discounted present value of the EAD and collateral enhancements. The EAD is determined by reducing the outstanding balance from the discounted collateral value. The cost of disposal of the collateral item is factored together with the time frame for disposal before discounting to present values. The discount rate used in the ECL calculation is the estimated average effective interest rate of 8%.

➢ *Forward-looking information incorporated in the ECL models*

The calculation of ECL incorporates forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

24 Financial risk management (continued)

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

Loan portfolio

The weighting assigned to each economic scenario as at December 31, 2019 were as follows: -

	Base	Upside	Downside
Loans	20%	10%	70%

The weighting assigned to each economic scenario as at December 31, 2020 were as follows:

	Base	Upside	Downside
Loans	20%	20%	60%

The Bank also made the following key assumptions in its assessment:

Recovery rates

Recovery rates used on loans represent the actual historical experience of repayments on each loan type.

➢ *Determination of macroeconomic scenarios and probabilities*

The macroeconomic factors and the weights were chosen based on a review of the 5-year trend (Year 2016 to 2020) of the Bank's Loan Portfolio to determine which factors would have a higher impact on the portfolio as compared to others. Different weights were assigned to component indicators of the scorecard in order to reflect their economic significance on the particular portfolio assessed, based on management's judgement and experience.

➢ *Maximum exposure to credit risk before collateral held or other credit enhancement*

	Gross maximum exposure 2020 $	Gross maximum exposure 2019 $
Credit risk exposures relating to financial assets carried on the Bank's statement of financial position are as follows:		
Cash and bank balances	157,018,876	55,499,930
Loans and receivables	262,350,969	276,614,645
Other assets and taxes recoverable	2,379,448	1,425,533
Investments	14,526,099	15,447,888
Total credit risk exposure	436,275,392	348,987,996

The above table represents a worst-case scenario of credit risk exposure to the Bank without taking account of any collateral held or other credit enhancements attached.

24 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

➢ *Loans to customers and other financial assets*

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

	Loans and receivables 31 December 2020			
	Stage 1 Lifetime ECL $	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Raw material and asset financing	107,431,081	147,237,679	90,829,940	345,498,700
Trade discounting	--	5,750,256	651,375	6,401,630
Sub-total	107,431,081	152,987,934	91,481,315	351,900,330
Loss allowance	(2,218,826)	(1,875,427)	(85,455,109)	(89,549,362)
Carrying balance	105,212,255	151,112,508	6,026,206	262,350,969

	Investments 31 December 2020			
	Stage 1 Lifetime ECL $	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Investment grade	14,561,204	--	--	14,561,204
Loss allowance	(35,104)	--	--	(35,104)
Carrying balance	14,526,100	--	--	14,526,100

24 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

	Loans and receivables 31 December 2019			
	Stage 1 Lifetime ECL $	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Raw material and asset financing	193,567,349	61,428,832	130,323,533	385,319,714
Trade discounting	4,898,556	185,624	799,597	5,883,777
Sub-total	198,465,905	61,614,456	131,123,130	391,203,491
Loss allowance	(2,683,573)	(751,047)	(111,154,226)	(114,588,846)
Carrying balance	195,782,332	60,863,409	19,968,904	276,614,645

	Investments 31 December 2019			
	Stage 1 Lifetime ECL $	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Investment grade	15,481,256	--	--	15,481,256
Loss allowance	(33,368)	--	--	(33,368)
Carrying balance	15,447,888	--	--	15,447,888

24 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

Maximum exposure to credit risk

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Loans

Credit impaired assets

31 December 2020	**Gross exposure $**	**Impairment allowance $**	**Carrying amount $**	**Fair value collateral held $**
Raw material & asset financing	27,367,337	(27,277,546)	89,791	--
Trade discounting	651,375	(651,375)	--	--
Demand loans	63,462,603	(57,526,188)	5,936,415	1,109,086
Sub-total	91,481,315	(85,455,109)	6,026,206	1,109,086
31 December 2019				
Raw material & asset financing	130,323,533	(113,454,581)	19,868,952	14,139,444
Trade discounting	799,597	(699,645)	99,952	--
Sub-total	131,123,130	(114,154,226)	19,968,904	14,139,444

24 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

➢ *Loss allowance*

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent step up (or step down) between 12 month and lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models; currently nine years of data for PDs are being used, however it is management's intention to have a ten year rolling average for the PDs.
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets that were written off during the period.

24 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

Loans	**Stage 1 12-month ECL $**	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Loss allowance as at 1 January 2020	2,683,573	751,047	111,154,227	114,588,847
Movement with P&L Impact				
Transfer from Stage 1 to Stage 2	--	--	--	--
Transfer from Stage 1 to Stage 3	--	--	--	--
Transfer from Stage 2 to Stage 1	--	--	--	--
Transfer from Stage 2 to Stage 3	--	--	--	--
Transfer from Stage 3 to Stage 1	--	--	--	--
New financial assets originated	2,192,313	1,625,559	9,662,792	13,480,664
Change in PDs/LGDs/EADs	(1,268,725)	198,468	11,939,079	10,868,822
Repayments	(1,388,336)	(603,768)	(12,822,458)	(14,814,562)
Write-offs	--	(95,878)	(34,478,529)	(34,574,408)
Total net P&L charge during the period	(464,747)	1,220,258	8,779,412	9,534,923
Loss allowance as at 31 December 2020	2,218,825	1,875,426	85,455,109	89,549,361

24 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

➢ *Maximum exposure to credit risk*

Investments	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Loss allowance as at 1 January 2019	--	33,368	--	33,368
Movement with P&L Impact				
Transfer from stage 1 to stage 2	--	--	--	--
Transfer from stage 2 to stage 1	--	--	--	--
Transfer from stage 2 to stage 3	--	--	--	--
Change in PDS/LGDs/EADs	--	4,319	--	4,319
Repayment	--	(2,583)	--	(2,583)
Total net P&L charge during the period	--	1,736	--	1,736
Loss allowance as at 31 December 2020	--	35,104	--	35,104

(a) *Single and group borrower limits*

The Bank on a regular basis rates the credit facilities and concentrates attention on the loan portfolio as the need arises. A risk limit control policy is in effect in relation to one borrower or groups of borrowers so that no single borrower default will have a material impact on the Bank.

For any exceptions, board or shareholder approval is secured.

This is implemented and monitored by the Credit Department.

24 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

(b) *Collateral*

The principal collateral types for loans and advances are letters of assignments of receivables, mortgage bills of sale and where possible mortgages and debentures and promissory notes.

(ii) *Provisioning policies*

Loan loss provisions are set aside to cover potential losses in respect of non-performing loans. These provisions are reviewed annually by the board credit committee or as the circumstance require and recommendations are made and submitted to the Board of Directors for approval. Non-performing loans recommended for write offs are also reviewed annually and action taken in accordance with set guidelines.

The Ministry of Finance has given its commitment to support the Bank in the event of default on certain loans.

b. *Market risk*

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market values. Market risk comprises currency risk, interest rate risk and other price risk.

(i) *Currency risk*

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effects of changes in exchange rates on its financial position and cash flows.

The Bank's policy is to match the loans granted in foreign currencies with funding in the same currency. The principal currencies of the Bank are Trinidad and Tobago (TTD) and United States of America (USD) dollars.

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effects of changes in exchange rates on its financial position and cash flows.

24 Financial risk management (continued)

b. *Market risk (continued)*

(i) *Currency risk (continued)*

Balances as at 31 December 2020 and 31 December 2019, in their reporting currencies, were as follows:

31 December 2020	TTD	USD	Total
	$	$	$
Assets			
Cash and cash equivalents	83,275,259	73,743,617	157,018,876
Loans and receivables	44,504,837	217,846,132	262,350,969
Held-to-maturity investments	14,526,099	--	14,526,099
	142,306,195	291,589,749	433,895,944
Liabilities			
Accounts payable and accruals	22,482,399	--	22,482,399
Lines of credit	--	235,574,528	235,574,528
	22,482,399	235,574,528	258,056,927

31 December 2019	TTD	USD	Total
	$	$	$
Assets			
Cash and cash equivalents	41,735,626	13,764,304	55,499,930
Loans and receivables	49,533,905	227,080,740	276,614,645
Investments	15,447,888	--	15,447,888
	106,717,419	240,845,044	347,562,463
Liabilities			
Accounts payable and accruals	8,248,217	--	8,248,217
Lines of credit	--	241,278,750	241,278,750
Forex facility	35,000,000	--	35,000,000
	43,248,217	241,278,750	284,526,967

The functional currency of the Bank is TT dollars since the currency of Trinidad is TT dollars; almost all contractual arrangements are with local companies and the day to day expenses are also in TT dollars.

24 **Financial risk management (continued)**

b. *Market risk* (continued)

(ii) *Interest rate risk*

Interest rate risk arises due to fluctuations in market interest rates and this in turn will affect the value of financial instruments as well as future cash flows. The Bank aims to manage this risk by reducing the sensitivity of its earnings and overall portfolio value to fluctuations in the interest rate. This objective is achieved by periodically reviewing the price of loan products, diversifying portfolios and by making timely adjustments to the overall term to maturity based on the relevant economic and financial market conditions.

The table below shows the Bank's exposure to interest rate risk:

31 December 2020	Up to 30 days	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
	$	$	$	$	$	$
Assets						
Cash and cash equivalents	157,018,876	--	--	--	--	157,018,876
Loans to customers	58,919,051	22,041,694	134,817,769	44,584,819	1,987,636	262,350,969
Investments	--	--	1,572,095	5,550,635	7,403,369	14,526,099
Total assets	215,937,927	22,041,694	136,389,864	50,135,454	9,391,005	433,895,944
Liabilities						
Line of credit	20,250,000	69,525,000	145,799,528	--	--	235,574,528
Total liabilities	20,250,000	69,525,000	145,799,528	--	--	235,574,528
Net gap	195,687,927	(47,483,306)	(9,409,664)	50,135,454	9,391,005	198,321,416
Cumulative gap	195,687,927	148,204,621	138,794,957	188,930,412	198,321,416	--

24 **Financial risk management (continued)**

b. *Market risk* (continued)

(ii) *Interest rate risk (continued)*

31 December 2019	Up to 30 days	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
	$	$	$	$	$	$
Assets						
Cash and cash equivalents	55,499,930		--	--	--	55,499,930
Loans to customers	24,036,908	71,180,531	79,328,615	94,136,313	7,932,278	276,614,645
Investments	--	--	1,572,969	5,605,424	8,269,495	15,447,888
Total assets	79,536,838	71,180,531	80,901,584	99,741,737	16,201,773	347,562,463
Liabilities						
Line of credit	20,250,000	93,622,500	67,500,000	59,906,250	--	241,278,750
Total liabilities	20,250,000	93,622,500	67,500,000	59,906,250	--	241,278,750
Net gap	59,286,838	(22,441,969)	13,401,584	39,835,487	16,201,773	106,283,713
Cumulative gap	59,286,838	36,844,869	50,246,453	90,081,940	106,283,713	--

24 Financial risk management (continued)

c. *Liquidity risk*

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations and commitments as they fall due. The Bank's liquidity management system is so designed to ensure that the demands of customers for additional borrowings can be met, that the short term investments can be easily liquidated to meet day to day needs, and that there is a right mix of short term and long term debt portfolio. The Bank's Treasury Department manages the liquidity management process.

The table below shows the maturity profile of the liabilities of the Bank as at 31 December 2020 to the contractual maturity date. These balances include interest to be paid over the remaining term of the liabilities and are therefore greater than the Statement of Financial Position figures. The figures are also undiscounted cash flows.

31 December 2020	Up to 30 days	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
	$	$	$	$	$	$
Total assets	215,937,927	22,041,694	136,389,864	50,135,454	9,391,005	433,895,944
Total liabilities	20,250,000	69,525,000	145,799,528	--	--	235,574,528
Net gap	195,687,927	(47,483,306)	(9,409,664)	50,135,454	9,391,004	198,321,417
Cumulative gap	195,687,927	148,204,621	138,794,957	188,930,412	198,321,417	--

31 December 2019	Up to 30 days	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
	$	$	$	$	$	$
Total assets	79,536,837	71,180,531	80,901,584	99,741,737	16,201,773	347,562,462
Total liabilities	20,250,000	93,622,500	67,500,000	59,906,250	--	241,278,750
Net gap	59,286,837	(22,441,969)	13,401,584	39,835,487	16,201,773	106,283,712
Cumulative gap	59,286,837	36,844,869	50,246,453	90,081,940	106,283,712	--

25 **Fair values**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The existence of published price quotation in an active market is the best evidence of fair value. Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length market transactions between knowledgeable, willing parties, if available, current fair value of another financial instrument that is substantially the same and discounted cash flow analysis.

No financial instruments are measured at fair value as at 31 December 2020.

The following methods have been used to estimate the fair values of various classes of financial assets and liabilities:

i. *Current assets and liabilities*

The carrying amounts of current assets and liabilities are a reasonable approximation of the fair values because of their short-term nature.

ii. *Loans and receivables*

Loans are net of specific provisions for losses. The Portfolio consists of:

a. Assets from transactions conducted under typical market conditions whose values are not adversely affected by unusual terms – 100% of Loan Portfolio

The inherent rates of interest at (a) approximate market conditions and yield discounted cash flow values which are substantially in accordance with financial statement amounts.

iii. *Investments*

The fair values of investments are determined on the basis of quoted market prices available at 31 December 2020.

(a) *Classification of financial instruments at fair value*

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

25 **Fair values (continued)**

iii. *Investments (continued)*

(a) *Classification of financial instruments at fair value (continued)*

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(b) *Fair values of financial assets measured at amortised cost*

The table below shows the financial assets and liabilities measured at fair value and which are not materially different from their carrying values. Fair values are calculated based on the cash flows discounted using a current lending rate.

	Level 1	Level 2	Level 3	Fair value	Carrying amount
As at 31 December 2020	**$**	**$**	**$**	**$**	**$**
Financial instruments					
Loans and receivables	--	262,350,969	--	262,350,969	262,350,969
Investments	--	14,526,099	--	14,526,099	14,526,099

	Level 1	Level 2	Level 3	Fair value	Carrying amount
As at 31 December 2019	**$**	**$**	**$**	**$**	**$**
Financial instruments					
Loans and receivables	--	276,614,645	--	276,614,645	276,614,645
Investments	--	15,447,888	--	15,447,888	15,447,888

	Debt Securities $'000	Equity $'000	Total $'000
As at 31 December 2020	**$**	**$**	**$**
Opening balance	15,447,889	--	15,447,889
Repayment	(920,053)	--	(920,053)
Loss on investment	(1,737)	--	(1,737)
	14,526,099	--	14,526,099

26 Capital risk management

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximising the return to its shareholder. The Bank's overall strategy remains unchanged from previous years.

The capital structure of the Bank consists of equity attributable to the shareholder and comprises stated capital and retained earnings.

27 Capital commitments

The Bank has no capital commitments at the year end.

28 Contingent liability

There were no contingent liabilities as at 31 December 2020.

29 Subsequent events

Subsequent to the year end, the Ministry of Finance advised of increased ceilings of and extension to the following USD Foreign Exchange Facilities:

- The USD Forex facility to local manufacturing and exporting companies was increased from USD 100M to USD 200M.

- The USD Forex facility to facilitate the allocation of USD to Importers and Manufacturers of Food, Pharmaceuticals and Essential Items as a result of the Covid-19 Pandemic was extended to July 2021 with an increase in the ceiling by USD $50M.